

VA Office of Inspector General

OFFICE OF AUDITS AND EVALUATIONS



# Veterans Health Administration

*Review of  
Alleged Misuse of  
VA Funds at the  
VA Pittsburgh  
Healthcare System*

December 15, 2016  
15-02278-415

# ACRONYMS

OIG	Office of Inspector General
UPMC	University of Pittsburgh Medical Center
VA	Department of Veterans Affairs
VCS	Veterans Canteen Service
VAPHS	Veterans Affairs Pittsburgh Healthcare System
VISN	Veterans Integrated Service Network

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# Highlights: Review of Alleged Misuse of VA Funds at the VA Pittsburgh Healthcare System

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## Why We Did This Review

In January 2015, the VA Office of Inspector General (OIG) received an anonymous allegation that the VA Pittsburgh Healthcare System (VAPHS) contracted to provide improper, free meals to certain medical staff. The complainant stated that this practice resulted in the misuse of patient care funds on lavish meals. We conducted this review to determine the merits of the allegation.

## What We Found

We substantiated that VAPHS staff provided free meals to medical residents without an authorized meal plan. Under an approved meal plan for residents, the VAPHS Director is authorized to provide meals comparable to those at the facility's index hospital, the University of Pittsburgh Medical Center. However, from April 2013 through March 2015, VAPHS staff used about \$441,000 in appropriated funds to purchase catered lunches and dinners for medical residents without such a plan.

This occurred because VAPHS staff overlooked the requirement applicable to the procurement of free meals to medical residents. In January 2016, in response to our review, the interim VAPHS Director established a meal plan for residents.

We did not substantiate the assertion that the meals were lavish. However, we found that the contract average price per meal was

about \$15 for lunch and approximately \$23 for dinner. The VAPHS Chief of Veterans Canteen Service (VCS) indicated that they could have provided lunch for just under \$5 and dinner for approximately \$9. Because the facility did not formally evaluate VCS as a potential source for meals, VAPHS missed the opportunity to acquire meals at a potentially less expensive option from VCS.

## What We Recommended

We recommended the Veterans Integrated Service Network 4 Director ensure VAPHS conduct annual reviews of resident meal plans and evaluate the internal purchase of resident meals as an alternative to commercial sources.

## Agency Comments

The Veterans Integrated Service Network 4 Director concurred with our finding and recommendations and provided responsive action plans. We will follow up on the planned actions until fully implemented.

A handwritten signature in black ink that reads "Larry M. Reinkemeyer".

**LARRY M. REINKEMEYER**  
Assistant Inspector General  
for Audits and Evaluations

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## RESULTS AND RECOMMENDATIONS

### **Finding**      **VA Pittsburgh Healthcare System Did Not Have an Approved Meal Plan To Purchase Meals for Medical Staff**

**Allegation**      On January 24, 2015, the VA Office of Inspector General (OIG) received an anonymous allegation that the VA Pittsburgh Healthcare System (VAPHS) contracted to provide free meals for certain medical staff. The complainant stated that this practice resulted in the misuse of patient care funds on lavish meals—a violation of VA regulations. The review was conducted to determine the merits of this allegation.

**Criteria**      The VA Secretary has the authority to establish compensation for VA-appointed residents.<sup>1</sup> In accordance with this authority, facility directors may establish meal plans for medical residents based on comparable practices found at the facility’s local index hospital. The university hospital for the medical school with which the VA facility is affiliated is designated as the local index hospital.<sup>2</sup>

VAPHS has an academic affiliation with the University of Pittsburgh School of Medicine whose physician residents may receive VA appointments to complete post-graduate training rotations at VAPHS. The University of Pittsburgh School of Medicine is also affiliated with the University of Pittsburgh Medical Center (UPMC), which is considered VAPHS’s index hospital.

Chiefs of staff are responsible for ensuring that index hospital meal practices are formally reviewed annually. Additionally, chiefs of staff are required to properly maintain records of those reviews to include a current copy of the index hospital’s meal policy statement and material provided by the index hospital that would be adequate for audit purposes.<sup>3</sup>

VA organizations that require support should first consider capabilities available within their organizations using factors such as cost-effectiveness or best value before seeking commercial sources.<sup>4</sup>

**What We Did**      To determine whether VAPHS staff misused funds to purchase employee meals, we evaluated available VAPHS meal plan records and the justification

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<sup>1</sup> Title 38, United States Code, §7406, *Residencies and Internships*

<sup>2</sup> Veterans Health Administration, *Supplement to MP-5, Part II*, Chapter 3, paragraph 3A.09

<sup>3</sup> Veterans Health Administration, *Manual M-1, Part I*, Chapter 2, paragraph 2.29

<sup>4</sup> VA Financial Policies and Procedures, *Intragovernmental Reimbursable Agreements*, Volume 1, Chapter 11, section 1101

for the catered meals. We analyzed contract costs, invoice statements, purchase orders, afternoon conference schedules, and lunch ordering schedules. We obtained meal information from the Veterans Canteen Service (VCS) to assess and compare costs for meal options. Finally, we interviewed and obtained testimonial and documentary evidence from VA, VAPHS, and UPMC management and personnel.

***What  
We Found***

We substantiated that VAPHS staff provided free meals to medical residents without an approved meal plan. Although the VAPHS Director had the authority to use appropriated funds for residents' compensation, the facility did not have a meal plan for residents. We did not substantiate the assertion that the meals were lavish. However, we found that the cost of these commercial meals was more than the cost of similar catered meals potentially available from the VCS.

***Inadequately  
Supported  
Meals for  
Residents***

As part of residents' compensation, the VAPHS Director could have approved a meal plan for residents comparable to those at the facility's index hospital, UPMC. However, VAPHS officials could not provide documentation of an approved resident meal plan to support these expenditures. From April 2013 through March 2015, VAPHS used appropriated funds to provide about 12,600 catered lunches and close to 11,000 catered dinners to medical residents. The VAPHS Medicine Service provided 16 to 30 residents with daily lunches during the residents' normal duty hours. These lunches were served during routine training conferences or administrative meetings scheduled weekdays from 12:00 p.m. to 1:00 p.m. The training conferences included lectures, presentations, and case study review sessions. A typical lunch consisted of a sandwich or pizza, a salad, a cookie, and beverage. VAPHS officials said there was a long-standing practice to provide food at meetings for medical residents as an attendance incentive.

In January 2016, in response to our review, the interim VAPHS Director established a meal plan for residents. The individual who had served as VAPHS Director when the contracts for meals were initiated left VA in 2014. Now that the interim VAPHS Director has established a meal plan, the VAPHS Chief of Staff should conduct annual reviews to ensure its resident meal plans are appropriate and supported by adequate documentation.

***Residents Meals  
Were Not Lavish***

We also examined the alleged lavishness of the meals provided by the commercial caterer. The commercial caterer's menu consisted of items that were frequently available as casual meals, such as sandwiches, pizza, or salads. As such, the meals did not appear to be lavish because they were similar to items available to other employees and visitors at the VCS. However, the prices for these meals were higher than the price of comparable meals potentially available from VCS.

VCS operates a café in VAPHS for patients, their families, visitors, and VA employees daily between 7:00 a.m. and 3:30 p.m., except on weekends and Federal holidays. VCS offers prepared foods for purchase, as well as catering for special orders and events. Rather than using its own VCS, VAPHS staff contracted out since at least 2010 to obtain catered meals for medical residents. The contract average price per meal, including delivery charges, was about \$15 for lunch and approximately \$23 for dinner.

The VAPHS VCS Chief told us in June 2015 that, in response to advance catering orders, VCS could provide a lunch option that included a sandwich, salad, dessert, and beverage for just under \$5. VCS could also offer a hot dinner entrée, two side options, and beverage for approximately \$9. Although the VCS dining area closed at 3:30 pm, the VCS Chief told us in April 2015 that VCS could make an after-hours delivery for dinner meals. In addition, residents could refrigerate and reheat food in their own lounge, which they were already doing with deliveries from the commercial caterer.

**Why  
This  
Occurred**

VAPHS staff provided resident meals without an approved meal plan because the Chief of Staff, who is responsible for reviewing this activity annually, overlooked this requirement. In addition, the facility may have paid more for the commercial meals because it did not formally evaluate the VCS as a potential source even though VA policy<sup>5</sup> required VAPHS to consider the capabilities of its own sources before seeking commercial sources. The VAPHS's contracting officer and the VAPHS Medicine Service's business manager stated that the former and current VCS Chiefs had informal discussions with VAPHS about using VCS, but these discussions were not documented. The VCS Chief told us in April 2015 that she did not recall any discussions on providing meals to residents, but indicated an interest in fulfilling this requirement.

**What  
Resulted**

As a result, VAPHS staff used about \$441,000 from appropriated funds to purchase catered lunches and dinners, including delivery charges, for medical residents between April 2013 and March 2015 without an authorized meal plan.<sup>6</sup> In addition, VAPHS staff missed the opportunity to acquire potentially less expensive meals from VCS, rather than using this competitively selected commercial caterer. The VAPHS Director has the authority to influence the services and hours of VCS. The extent of the potential savings associated with using VCS would depend on the terms and conditions agreed upon if VCS could meet VAPHS requirements of providing resident meals.

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<sup>5</sup> VA Financial Policies and Procedures, *Intragovernmental Reimbursable Agreements*, Volume 1, Chapter 11, section 1101

<sup>6</sup> The amount used to purchase catered meals using appropriated funds may be higher if we considered other contracts outside the scope of this review since a meal plan was not established until January 2016.

**Conclusion**

We substantiated that VAPHS staff did not establish an approved meal plan to support its use of appropriated funds to purchase lunch and dinner meals for medical residents. However, in January 2016, the interim VAPHS Director approved a meal plan to support its use of appropriated funds to provide meals for residents. While we did not substantiate the allegation that the meals were lavish, formally evaluating VCS as a source for this requirement would have resulted in VAPHS potentially acquiring a less expensive option for resident meals.

**Recommendations**

1. We recommended the Veterans Integrated Service Network 4 Director ensure the VA Pittsburgh Healthcare System conduct annual reviews to ensure its resident meal plans are appropriate and supported by adequate documentation.
2. We recommended the Veterans Integrated Service Network 4 Director ensure the VA Pittsburgh Healthcare System evaluate purchasing meals internally from the Veterans Canteen Service as an alternative to commercial sources.

**Management  
Comments**

The Veterans Integrated Service Network (VISN) 4 Director concurred with our finding and recommendations. In response to Recommendation 1, the Director stated that VISN 4 had begun monitoring VAPHS's reviews of resident meal plans on an annual basis. For Recommendation 2, the VISN 4 Director has agreed to ensure that VAPHS staff formally evaluate the costs and benefits of purchasing resident meals from VCS versus external vendors. VAPHS staff have requested a proposal from VCS for the noon teaching conferences. Based on VCS's initial response, the VISN 4 Director reported that an external vendor was still necessary for meals outside VCS's hours of operation.

**OIG  
Response**

The VISN 4 Director's comments and implementation plans are responsive to the recommendations. We will follow up on the implementation of planned actions until fully implemented. Appendix B provides the full text of the VISN 4 Director's comments.

## Appendix A Scope and Methodology

- Scope** We conducted our review from February 2015 through July 2016. We reviewed catered meals purchased by VAPHS for the period from April 2013 through March 2015 under a base contract and subsequent modifications.
- Methodology** Our review focused on the allegation referred to the OIG Hotline in January 2015. To conduct our review, we examined applicable laws, regulations, and VA policies and procedures. We analyzed key documentation, such as contract files, statements of work, conference and lunch ordering schedules, and invoice statements. We conducted a site visit at the VAPHS University Drive campus in Pittsburgh, PA. Finally, we interviewed and obtained testimonial and documentary evidence from VA, VAPHS, and UPMC management and personnel.
- Data Reliability** We relied on computer-processed data obtained from VA's Electronic Contract Management System. We also relied on financial information such as purchase orders and invoice statements provided by the VAPHS Chief Financial Officer. To test for reliability, we compared contracting documents found in the Electronic Contract Management System with hard copy files maintained at VAPHS. We compared contract and purchase order obligations with the invoiced amounts and did not identify any significant or unexplainable discrepancies. We also corroborated obligated amounts spent and remaining on the catering contract with the VAPHS Chief Financial Officer. Finally, we verified the accuracy of the invoiced charges based on the meals and delivery services provided.
- Government Standards** We conducted this review in accordance with the Council of the Inspectors General on Integrity and Efficiency's *Quality Standards for Inspection and Evaluation*.

## Appendix B Management Comments

### Department of Veterans Affairs Memorandum

Date: August 12, 2016

From: Network Director – VISN 4 (10N4)

Subject: Office of Inspector General (OIG) Draft Report: Review of Alleged Misuse of VA Funds at the VA Pittsburgh Healthcare System

To: Assistant Inspector General for Audits and Evaluations (52)

1. Thank you for your team's review of this allegation, and for the opportunity to review and respond to their draft report.

2. I concur with the findings in their report, and respond to each recommendation as follows:

- *We recommended the Veterans Integrated Service Network 4 Director ensure the VA Pittsburgh Healthcare System conduct annual reviews to ensure its resident meal plans are appropriate and supported by adequate documentation suitable for auditing.*

Concur.

VISN 4 will monitor VAPHS' compliance with this recommendation by the end of fiscal year 2016, and annually thereafter.

- *We recommended the Veterans Integrated Service Network 4 Director ensure the VA Pittsburgh Healthcare System evaluate purchasing meals internally from the Veterans Canteen Service as an alternative to commercial sources.*

Concur.

VISN 4 will ensure that VAPHS formally evaluate the costs and benefits of purchasing resident meals from the Veterans Canteen Service versus external vendors. Indeed, VAPHS has already reached out to the VCS Regional Manager to request a proposal of meal provision for noon teaching conferences. The initial VCS response indicated that the VCS Canteen cannot provide evening, weekend, or holiday meals. Therefore, if VCS were utilized, an external vendor contract would still be required for those purposes. Formal evaluation of cost-saving options will continue.

3. If you have any questions, please contact Dr. Timothy Burke, Chief Medical Officer, VISN 4, at [Timothy.Burke4@va.gov](mailto:Timothy.Burke4@va.gov).

(original signed by:)

Michael D. Adelman, MD

*For accessibility, the format of the original documents in this appendix has been modified to fit in this document.*

## Appendix C **OIG Contact and Staff Acknowledgments**

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Contact	For more information about this report, please contact the Office of Inspector General at (202) 461-4720.
Acknowledgments	Steven Wise, Director Sharon Richards Michelle Swagler Brandon Thompson

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